

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
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DEPUTY DIRECTOR

February 25, 2020

The Honorable Joey Manahan, Chair  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Manahan and Councilmembers:

SUBJECT: Bill 12 (2020)

The Department of Budget and Fiscal Services (BFS) is not opposed to Bill 12 which amends the minimum real property tax for historic residential real property dedicated for preservation.

The 2014 Real Property Tax Advisory Commission mentioned the Audit of the Real Property Assessment Division, Report No. 13-02 (October 2013) compiled by the Office of the City Auditor in its review. The audit reported finding many dedication requirement violations and non-compliance by owners, indicating an abuse of the exemption provision. It was then estimated that the City could acquire \$555,000 in real property tax revenue by monitoring compliance and enforcing cancellation and penalties for non-compliance. The Commission also mentioned that despite dedication requirements of perpetual public visual right-of-way access or public visitation of 12 days a year, the provision of refuse pickup, police and fire protection, and other City services continue as well as the owner's ability to use the property as a residence. After review of the dedication requirements and audit report the Commission recommended decreasing the current exemption of 100% to 50% of the assessed value, provided that the existing dedication contracts are honored.

The 2019 Real Property Tax Advisory Commission recommended that the historic residential real property dedicated for preservation pay a minimum of \$1,000 in property taxes whether partially exempt or not.

Currently, historic residences dedicated for preservation pay a minimum tax of \$300. Bill 12 provides for imposing a maximum tax of \$1,000 and exempting any tax in excess thereof. Increasing the tax ceiling will provide approximately \$260,000 in tax revenue.

DEPT. COM. 126

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Please call me at 768-3901 with any questions.

Sincerely,



Nelson H. Koyanagi Jr., Director  
Budget and Fiscal Services

APPROVED:



Roy K. Amemiya, Jr.  
Managing Director